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Daily Tax Report: State

Don't Price Us Out, New Yorkers Plead Amid Property Tax Overhaul

By Donna Borak

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Queens, Staten Island, Brooklyn residents fear home value assessments will soar

Tax commission proposal creates confusion over exemptions

Sheila Lewandowski bought her Queens home in 2001 with her former husband for \$265,000. It's probably worth four times that now.

If she had to pay four times the property taxes she did 20 years ago, she's not sure she could afford to stay.

"I don't want to be displaced," said Lewandowski, who testified at a virtual New York Property Tax Commission hearing in the Bronx on Monday. "I know there are other people citywide, who've been in their communities for generations, who if you tax them at a full market rate, they're out."

Like many other New Yorkers in the Bronx, Queens, and Staten Island, Lewandowski, who runs a non-profit arts center in Long Island City on a five-figure salary, is unnerved over what might happen if city and state officials agree to assess levies based on 100% of her home's market value. It's one of the 10 recommendations included in a languished effort to overhaul New York City's property tax system that was revived in late April.

Residents, and their political representatives, decried in a series of public hearings how the city's arcane property tax system has unfairly burdened low- and moderate income workers, former civil servants, seniors and retirees living on fixed income, teachers, and landlords. Those residents have watched their property taxes increase at a far more rapid clip than the wealthy people living in luxury buildings across the street in their own neighborhoods, as the values of their homes grew exponentially and their incomes barely budged.

"Any reforms of the property tax system must protect those home values that have appreciated more rapidly over the last few decades despite no significant change in their income," State Sen. Andrew Gounardes, who represents neighborhoods like Bay Ridge, Bensonhurst, and Dyker Heights, said at a May 27 virtual hearing in Brooklyn. "These property owners who are property rich, but cash poor will be negatively impacted by the proposal to do away with fractional assessments."

The New York Property Tax Commission resumed public hearings in May after they were postponed for 14 months due to the Covid-19 pandemic. The commission has set a goal of delivering recommendations by the end of the year as pledged by outgoing Mayor Bill de Blasio.

"The good news is the commission is back," said New York Council Member Justin Brannan for District 43. "The bad news is that our current mayor will no longer be in office to live up to his commitment by the time the commission publishes its final report. We have now missed an entire year of making progress on reforming this badly, busted property tax system."

Politically Acceptable

New York's tax system consists of four classes of property: residential, large rentals, utilities, and commercial. One of the recommendations is to move co-ops, condominiums, and rental buildings with up to 10 units into a new residential class along with 1-3 family homes. It's an effort to ensure the same treatment under the property tax system because they are similar to Class 1 properties, which are largely single family homes

The city's heavy reliance on property tax revenue and the politically difficult task of rebalancing a tax burden has, for four decades, kept in place a status quo weighted against minorities and poorer families living in similarly valued homes in East New York, Brownsville, or Canarsie as well as low- to moderate income renters in high-rise buildings. Politicians have routinely denounced the set-up as unfair but resistance to change has been fierce.

At a May 11 hearing in Staten Island, former New York City Council Member Sal Albanese warned about the political backlash that could erupt if the city intends to tax working class residents at a 100% of their market value.

"Whatever you do, it has to be fair, predictable, and politically acceptable," Albanese said. "You have to make it politically acceptable. Otherwise it's not going to work."

New Yorkers across the five hearings said the commission's proposal would gut generational wealth and cause tax liens to be placed on their homes if they're unable to pay. They raised questions about the lack of detail included in the plan on income thresholds that might trigger a homestead exemption or circuit breaker.

"I heard it's going to be based on your income plus assets," said Esther Blount, who lives in Fort Greene in a home she inherited from her aunt that was initially bought in 1936. "I'd like to know what that means? Does that mean my retirement assets? And when I die, if I leave the house to my kids, how would the circuit breaker work with them? Would it go by their income or some other formula that we don't know exists? There are so many unanswered questions that it's really hard to know what's going on."

Homestead exemptions provide a tax reduction to owners for their primary residence, effectively allowing higher taxes to be levied on non-primary residences. Circuit breakers provide property tax relief to owners who lack the income to pay and are a common way to address property tax affordability across the country.

Anna Champeny, director of city studies for the Citizens Budget Commission, called on the commission to address four areas, including offering greater detail on how the homestead exemption and circuit breaker would be structured.

"Phasing-in market value changes provides some smoothing and stability; however, it seems in conflict with the recommendation that all properties in the new residential class be assessed at 100% of market value," said Champeny, in her testimony on Wednesday. "If changes are phased in, then the value for tax purposes will be different than the most recent year's market value."

Fine Print Missing

City residents also pressed the commission for details on how a gradual phase-in of the assessed values for the new residential class would be set.

"How in the world can you give a phase-in and not give real examples?" pressed Ralph Yozzo, who did not identify himself with any affiliation or neighborhood. "Because nobody understands what you mean by phase-in over five years. No one understands that I know of. Is there an example in all of the documents?"

Many others offered sharp, emotional pleas to the commission.

Priscilla Ghaznavi, a Williamsburg resident and president of the Southside Homeowners Association, said homes in the community of 82 families that were purchased in 2001 for \$298,000 are now worth more than \$2 million. "Tax them on their way out," said Ghaznavi. "Don't tax them while they want to stay here. We can't afford it."

Robin Harper, who owns a home in Queens, where she has lived with her family for the last 20 years, says she anticipated and budgeted for “reasonable” annual tax increases every year. But she said didn’t expect them to increase by 500%—and potentially double under the commission’s preliminary plan.

“Don’t punish us for believing in New York City,” said Harper during a June 9 virtual hearing in Queens.

Jeffrey Golkin, an attorney who has represented property owners for the last four decades, said the changes will make an already bad system worse. “There are so many people who will be left behind,” he said. “Frankly, you can’t take away protections that people have had for 40 years and suddenly turn the system upside down.”

Marc Shaw, chair of the advisory board for the Property Tax Commission, assured residents it would consider all feedback in further deliberations.

“The simple fact that we need examples of individual properties and we will obviously take that into account. We still need to do a lot of work on the circuit breakers and the residential abatement programs,” said Shaw. “We are listening, and we hear your concerns.”

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